TOWN OF GANDER

AUDITORS' REPORT

FINANCIAL STATEMENTS - DECEMBER 31, 1985

WALTERS, HOFFE & CO.
CHARTERED ACCOUNTANTS

TOWN OF GANDER

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AUDITORS' REPORT

To the Mayor and Councillors:

We have examined the balance sheet of the Town of Gander as at December 31, 1985 and the statements of surplus, investment in capital assets, revenue and expenditure and changes in working capital for the year ended on that date. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Town of Gander as at December 31, 1985 and the results of its operations and the changes in its working capital for the year then ended, in accordance with generally accepted accounting principles, applied on a basis consistent with that of the preceding year.

(Continued . . .)

AUDITORS' REPORT TO THE MAYOR AND COUNCILLORS (CONTINUED)

In compliance with the requirements of Section 81 of the Municipalities Act, 1979 we report as follows on the audit of the accounts of the Town of Gander for the year ended December 31, 1985.

1. Expenditure in relation to budget:

Expenditure of $4,027,383 including water and sewerage expenditure of $469,143 exceeded the limits of the approved budget of $3,935,300 by $92,083, accounted for as follows:

	Actual	Budget	Over (Under) Budget
Administration	$ 709,876	736,100	(26,224)
Protection to persons and property	389,207	413,150	(23,943)
Public works	853,023	773,300	79,723
Capital expenditures out of revenue	61,430	-	61,430
Debt charges	969,246	1,026,500	(57,254)
Water and sewerage	469,143	434,300	34,843
Recreation and community service	365,814	354,850	10,964
Sanitation and waste removal	146,152	132,100	14,052
Other - open spaces	63,492	65,000	(1,508)
	$ 4,027,383	3,935,300	92,083

2. Arrears of revenue:

Taxes receivable totalled $695,525 at December 31, 1985. Of this amount $221,475 has been outstanding for one year or longer while the balance of $474,050 represents arrears on account of taxes levied in 1985. Miscellaneous receivables amounted to $90,741 at December 31, 1985; this is a decrease of $15,067 over the previous year. Subsequent collection of all receivables to January 31, 1986 amounted to $118,585.

The allowance for doubtful accounts amounted to $215,000 at December 31, 1985. In our opinion, this allowance is adequate.

3. The manner in which the accounts have been kept and the adequacy of safeguards against fraud:

The position in these respects was considered satisfactory.

(Continued . . .)

AUDITORS' REPORT TO THE MAYOR AND COUNCILLORS (CONTINUED)

4. The sufficiency of bond coverage entered into under Section 63:

Fidelity bonds were in place on all personnel having positions of trust. The amount of these bonds was considered adequate.

5. Other matters:

(a) The actual amount of expenditure for electricity at Gander Gardens during the year which qualifies for an electrical subsidy amounted to $38,846.

(b) The cash collections of taxes for 1985 are as follows:

1. Property		$ 1,395,823
2. Business		445,454
3. Grant in lieu:		
Government of Canada	$ 372,249	
Newfoundland Light and Power Company Limited	61,381	
Terra Nova Tel	34,704	
Newfoundland and Labrador Housing Corporation	28,632	
James Paton Memorial Hospital	3,000	499,966
		$ 2,341,243

(c) Only as shown in the financial statements.

Walters, Hoffe & Co.

Chartered Accountants

Gander, Newfoundland

March 13, 1986

TOWN OF GANDER

Balance Sheet

December 31, 1985

	1985	1984
Assets		
Current assets:		
Cash	$ 136,037	1,099
Term deposit	-	165,000
Receivables (Note 2)	571,266	569,840
Inventory of materials, at cost (Note 3)	107,347	117,690
Prepaid expenses	13,497	2,169
Total current assets	828,147	855,798
Property and equipment, at cost (Schedule 1)	16,109,609	15,557,698
	$ 16,937,756	16,413,496
Liabilities and Equity		
Current liabilities:		
Due to bank on current account - regular	$ 38,079	70,741
- capital	-	6,196
Accounts payable and accrued liabilities (Note 4)	323,213	293,945
Deferred revenue - CMHC grants	100,000	165,000
Liability for cash held in trust for "Library Fund"	50,396	-
Options on land	2,220	1,321
Debt installments due and unpaid	10,026	-
Current portion of long-term debt (Schedule 2)	446,498	412,068
Total current liabilities	970,432	949,271
Long-term debt (Schedule 2)(Note 5)	4,665,595	4,564,857
Equity:		
Operating surplus (deficit), per accompanying statement	(13,348)	52,401
Investment in capital assets, per accompanying statement	11,315,077	10,846,967
Total equity	11,301,729	10,899,368
Contingent liability (Note 6)		
	$ 16,937,756	16,413,496

See accompanying notes

Approved: _____ Mayor

_____ Town Clerk

WALTERS, HOFFE & CO.
CHARTERED ACCOUNTANTS

TOWN OF GANDER

Surplus

Year ended December 31, 1985

	1985	1984
Balance, beginning of year:		
As previously reported	$ 60,685	(148,792)
Add prior year's adjustment - interest expense	-	58,683
- revenue	(2,357)	-
- expenditure	(5,927)	-
As restated	52,401	(90,109)
Excess (deficiency) of revenue over expenditure	(65,749)	(145,635)
	(13,348)	(235,744)
Add special adjustment to debt charges	-	288,145
Balance, end of year	$(13,348)	52,401

See accompanying notes

TOWN OF GANDER

Investment in Capital Assets

December 31, 1985

	1985	1984
Balance, beginning of year	$ 10,846,967	8,968,717
Add:		
Debt principal retired through revenue	424,492	512,916
Capital expenditure out of revenue	61,430	82,032
NMFC loan forgiven during year	-	490,469
Government of Canada - Winter Works grants	4,450	11,082
Road paving agreement - Provincial government's share	94,687	782,222
	585,059	1,878,721
	11,432,026	10,847,438
Deduct:		
Original cost of assets scrapped or disposed of during year	116,949	471
Balance, end of year	$ 11,315,077	10,846,967

See accompanying notes

TOWN OF GANDER

Statement of Revenue and Expenditure

Year ended December 31, 1985

	1985	1984
Revenue:		
Taxation:		
Property tax	$ 1,342,059	1,335,466
Service fees	128,930	110,699
Business tax	446,209	441,935
Grant in lieu of taxes	447,194	423,668
	2,364,392	2,311,768
Government grants:		
Roads	102,400	86,600
Population	164,600	182,932
Social assistance	18,328	17,640
Tax incentive	762,091	708,360
	1,047,419	995,532
	3,411,811	3,307,300
Sale of property and equipment	53,251	-
Open spaces and golf club	65,000	65,000
Licences and permits	17,445	35,016
Rents	23,186	15,661
Interest	68,316	76,142
Land sales	34,136	80,014
Metered properties	97,787	101,395
Sale of material	2,011	2,071
Fines and miscellaneous	42,705	78,348
Recreation (Schedule 3)	145,986	163,736
	3,961,634	3,924,683
Expenditure (Schedule 4)	4,027,383	4,070,318
Excess (deficiency) of revenue over expenditure	$(65,749)	(145,635)

See accompanying notes

TOWN OF GANDER

Statement of Changes in Working Capital

Year ended December 31, 1985

	1985	1984
Source of working capital:		
From operations:		
Excess of expenditure over revenue	$(65,749)	(145,635)
Debt principal retired through revenue	424,492	512,916
Capital expenditures out of revenue	61,430	82,032
	420,173	449,313
Provincial government's share of road paving projects	94,687	782,222
Canada Works grant	4,450	11,082
Increase in long-term debt - net	100,738	-
NMFC loan forgiven during year	-	490,469
Payments on loan refunded during year	-	288,144
Adjustment to interest of prior years	-	58,683
Total working capital provided	620,048	2,079,913
Application of working capital:		
Purchase of property and equipment	668,860	923,280
Decrease in long-term debt - net	-	1,006,323
Total working capital applied	668,860	1,929,603
Increase (decrease) in working capital	(48,812)	150,310
Working capital (deficiency), beginning of year	(93,473)	(243,783)
Working capital (deficiency), end of year	$(142,285)	(93,473)

See accompanying notes

TOWN OF GANDER

Schedule 1.

Property and Equipment

December 31, 1985

	Balance December 31, 1984	Additions	Disposals	Balance December 31, 1985
Land	$ 44,359	-	-	44,359
Buildings	959,218	20,095	-	979,313
Little Harbour project	314,876	-	-	314,876
Equipment	1,904,487	265,132	116,949	2,052,670
Roads and improvements	5,845,889	327,504	-	6,173,393
Municipal dump	150,159	856	-	151,015
Municipal park	263,517	-	-	263,517
Gander Gardens - buildings	755,530	22,647	-	778,177
- equipment	52,363	1,748	-	54,111
Cemetery	16,538	-	-	16,538
Firemen's training ground	302,858	-	-	302,858
Land development	577,852	150	-	578,002
Water and sewerage	4,370,052	30,728	-	4,400,780
	$ 15,557,698	668,860	116,949	16,109,609

See accompanying notes

TOWN OF GANDER — Schedule 2.

Long-Term Debt

December 31, 1985

	1985	1984
Newfoundland Municipal Finance Corporation loans:		
7 3/4% repayable $27,262 annually, including interest; maturing April, 2009	$ 293,119	297,337
10 7/8% repayable in semi-annual installments of $61,191, including interest; maturing November, 1998	841,293	869,837
10 7/8% repayable in semi-annual installments of $20,035, including interest; maturing September, 1987	70,326	100,283
10 7/8% repayable in semi-annual installments of $13,370, including interest; maturing September, 1987	46,930	66,920
10 7/8% repayable in semi-annual installments of $16,028, including interest; maturing September, 1987	56,261	80,226
12% repayable in semi-annual installments of $12,628, including interest; maturing August, 1994	136,727	144,838
12% repayable in semi-annual installments of $7,975, including interest; maturing September, 1994	88,990	93,823
8 1/4% repayable in annual installments of $16,362, including interest; maturing October, 2009	168,735	170,990
7 1/4% repayable in annual installments of $2,000, plus interest; maturing August, 2007	44,000	46,000
6 3/4% repayable in annual installments of $27,205, including interest; maturing June, 2008	313,278	318,954
10 7/8% repayable in semi-annual installments of $2,914, including interest; maturing May, 1988	12,463	16,595
10 7/8% repayable in semi-annual installments of $41,623, including interest; maturing September, 1987	146,105	208,341
Sub-total	2,218,227	2,414,144

TOWN OF GANDER

Schedule 2.
(Continued)

Long-Term Debt

December 31, 1985

	1985	1984
Balance forward	$ 2,218,227	2,414,144
10 7/8% repayable in semi-annual installments of $2,497, including interest; maturing September, 1987	8,766	12,500
10 7/8% repayable in semi-annual installments of $8,325, including interest; maturing September, 1987	29,221	41,668
10 7/8% repayable in semi-annual installments of $13,652, including interest; maturing March, 1988	58,399	77,760
10 7/8% repayable in semi-annual installments of $9,990, including interest; maturing March, 1988	42,731	56,898
12% repayable in semi-annual installments of $7,311, including interest; maturing December, 1999	98,009	100,632
12% repayable in semi-annual installments of $17,703, including interest; maturing December, 1989	109,934	130,298
10% repayable in annual installments of $92,775, including interest; maturing March, 1999	683,442	705,652
13 7/8% repayable in semi-annual installments of $35,977, including interest; maturing August, 1991	286,709	315,819
13 7/8% repayable in semi-annual installments of $28,183, including interest; maturing January, 1991	211,994	236,380
13 1/2% repayable in semi-annual installments of $25,993, including interest; maturing May, 1993	651,400	694,668
13 1/2% repayable in semi-annual installments of $23,741, including interest; maturing November, 1993	595,306	634,848
Sub-total	4,994,138	5,421,267

TOWN OF GANDER

Long-Term Debt

December 31, 1985

Schedule 2.
(Continued)

	1985	1984
Balance forward	$ 4,994,138	5,421,267
14% repayable in semi-annual installments of $32,895, including interest; maturing September, 1994	885,032	-
12% repayable in semi-annual installments of $20,924, including interest; maturing August, 1995	632,063	-
C.M.H.C. loans:		
5 1/8% repayable in annual installments of $1,565, including interest; maturing October, 1988	4,246	5,524
5 3/8% repayable in annual installments of $22,678, including interest; maturing November, 2006	279,648	286,709
Bank loans:		
Prime plus 1/2% repayable $667 monthly plus interest; maturing January, 1986; unsecured	458	8,458
Prime plus 1%, secured by a mortgage on "Youth Centre"; repayable $502 monthly, including interest; maturing March, 1988	11,526	-
12 3/4% secured by chattel mortgage on International Payloader, repayable $2,500 monthly, including interest; matured December, 1985	-	12,821
12 3/4% unsecured, repayable $1,350 monthly, plus interest; maturing August, 1986	10,800	27,000
12 3/4% secured by a chattel mortgage on equipment; repayable $875 monthly, plus interest; maturing July, 1986	6,304	16,804
Prime plus 1/4% unsecured, repayable $333 monthly, plus interest; maturing February, 1990	16,667	-
Sub-total	6,840,882	5,778,583

WALTERS, HOFFE & CO.
CHARTERED ACCOUNTANTS

TOWN OF GANDER

Schedule 2.
(Continued)

Long-Term Debt

December 31, 1985

	1985	1984
Balance forward	$ 6,840,882	5,778,583
Prime plus 1/2% unsecured, repayable $668 monthly, plus interest; maturing October, 1986	6,677	14,689
Prime plus 1/2% unsecured, repayable $1,754 monthly, plus interest; maturing December, 1995	210,467	-
Prime minus 1/4% unsecured:		
Repayable $2,380 monthly, including interest; maturing 1991	115,792	131,431
Repayable $1,531 monthly, including interest; maturing 1987	18,456	34,008
Repayable $2,950 monthly, including interest; maturing December, 1992	157,122	175,152
Repayable $1,115 monthly, including interest; maturing March, 1995	73,391	-
Repayable $4,800 monthly, including interest; maturing May, 1995 (Note 5)	228,008	-
Interim financing to be refinanced with NMFC:		
Advances from Royal Bank - Roads #10	-	871,219
- Roads #11	-	597,088
	7,650,795	7,602,170
Less Provincial government's share of above loans	2,538,702	2,625,245
	5,112,093	4,976,925
Less Town's current portion	446,498	412,068
	$ 4,665,595	4,564,857

The aggregate amount of principal payments estimated to be required in each of the next five years is as follows:

1986	$ 446,498
1987	453,991
1988	345,615
1989	369,324
1990	380,949

See accompanying notes

TOWN OF GANDER

Schedule 3.

Revenue - Recreation

Year ended December 31, 1985

	1985	1984
Admissions	$ 4,209	4,782
Ice and stadium rentals	75,862	80,319
Canteen sales	17,880	19,133
Electrical subsidy	15,000	18,402
Provincial grants	19,930	19,550
Advertising sign rentals	3,000	3,380
Field rental	1,803	2,100
Skating and other	8,302	16,070
	$ 145,986	163,736

See accompanying notes

TOWN OF GANDER

Schedule 4.

Expenditure

Year ended December 31, 1985

	1985	1984
General government		
Salaries and wages	$ 223,531	253,402
Employee benefits	181,933	84,657
Provision for (recovery of) doubtful receivables	(66,920)	83,906
Property assessments	36,443	26,710
Regular and group insurance	31,843	29,081
Council stipend and car allowances	30,617	32,200
Office and postage	28,966	23,619
Telephone	27,750	15,975
Light and heat	25,075	20,869
Workers' Compensation	23,899	28,500
Town Hall	22,427	30,762
Other	144,312	157,473
	709,876	787,154
Protection of persons and property		
Fire protection	145,859	145,385
Street and traffic lighting	156,572	159,291
Police protection	82,707	77,478
Control of animals	4,069	4,118
	389,207	386,272
Public works		
Road maintenance	118,337	107,613
Equipment and building repairs	201,001	180,777
Snow removal	96,827	103,872
General maintenance	147,247	174,763
Labour	179,124	145,069
Other	110,487	94,108
	853,023	806,202
Capital expenditures out of revenue		
Land development	150	1,048
Buildings	1,092	6,287
Gander Gardens	151	-
Office	1,483	5,961
Works depot	41,696	38,088
Fire department	13,837	-
Water and sewerage	3,021	26,504
Recreation	-	4,144
	61,430	82,032
Sub-total	2,013,536	2,061,660

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CHARTERED ACCOUNTANTS

TOWN OF GANDER

Schedule 4.
(Continued)

Expenditure

Year ended December 31, 1985

	1985	1984
Balance forward	$ 2,013,536	2,061,660
Debt charges		
Bank loans - principal	123,193	198,082
- interest	74,800	98,793
Other loans - principal	301,299	314,834
- interest	469,954	420,975
	969,246	1,032,684
Water and sewerage		
Administration and general	38,570	24,161
Labour	111,159	133,727
Power and pumping	247,696	220,176
Other	71,718	108,630
	469,143	486,694
Recreation and community service		
Labour - management	54,619	32,291
- other	120,000	80,042
Landscaping	53,673	56,399
Light and heat	45,472	46,825
Other	92,050	104,774
	365,814	320,331
Other		
Open spaces	63,492	45,242
Sanitation and waste removal	146,152	123,707
	209,644	168,949
	$ 4,027,383	4,070,318

See accompanying notes

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CHARTERED ACCOUNTANTS

TOWN OF GANDER

Notes to the Financial Statements

December 31, 1985

1. Significant accounting policies:

(a) No provision for depreciation of property and equipment is recorded in the financial statements of the municipality. Property and equipment purchased out of general revenue are fully charged against revenue in the year of acquisition. The annual installment of principal and interest on long-term borrowings, obtained to finance the purchase of property and equipment, is recorded in the financial statements as a current expenditure.

(b) The equity of the municipality in the property and equipment is represented by a surplus account, "Investment in Capital Assets."

(c) Property and equipment disposed of are deleted from the Investment in Capital Assets account at original cost.

2. Receivables:

	1985	1984
Property tax	$ 232,561	261,238
Business tax	103,117	100,256
Grant in lieu of taxes	214,946	267,717
Service fees	144,901	139,164
Miscellaneous	90,741	119,290
	786,266	887,665
Less allowance for doubtful receivables	215,000	319,065
	571,266	568,600
Accrued interest	-	1,240
	$ 571,266	569,840

3. Inventory:

	1985	1984
Works depot	$ 80,058	80,889
Capital	25,989	35,501
Stadium canteen	1,300	1,300
	$ 107,347	117,690

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4. Accounts payable and accrued liabilities:

	1985	1984
Trade - regular	$ 135,078	114,353
- capital	3,595	30,765
Bid deposits	4,038	-
Accrued - interest	138,689	121,318
- audit fee	6,000	4,000
- wages	35,813	22,371
- other	-	1,138
	$ 323,213	293,945

5. Subsequent to the balance sheet date, the Town received additional loan advances in the amount of $91,027 to fund capital expenditures of $29,517 for 1985 and $61,510 for 1986.

6. At the balance sheet date the Town was contingently liable for insurance deductibles in the amount of $52,500. These deductibles arise from claims against the Town for water damage to homes. At present these claims are with the Town's insurance company solicitors for further action.